

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 226281  
ORIGIN XMB-04

INFO OCT-01 EUR-12 NEA-10 ISO-00 EB-08 TRSE-00 CIAE-00  
INR-10 NSAE-00 COME-00 AID-05 /050 R

XMB

DRAFTED BY XMB: A M EMMET:CR  
APPROVED BY NEA/EGY: C E MARTHINSEN  
XMB: C NORRIS  
EB/IFD/ODF:TPARKER  
NEA:EGY: C A KENNEDY

-----127858 071130Z /20

R 062348Z SEP 78  
FM SECSTATE WASHDC  
TO AMEMBASSY CAIRO  
INFO AMEMBASSY ROME

LIMITED OFFICIAL USE STATE 226281

FOR CIVAIR ATT

E.O. 11652: N/A

TAGS: EFIN, EG

SUBJECT: VIEWS ON ESCROW/TRUST FUND ACCOUNT

REFERENCE: A CAIRO 18347, B STATE 223049

1.RE REFTEL A PARA 2. CREATION OF A TRUST ACCOUNT IN  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 226281

CONSIDERATION OF A LOAN TO EGO TH FOR THE OMAR KHAYYAM  
WAS ACCEPTABLE TO EXIM PRIMARILY BECAUSE MARRIOTT, A  
THIRD PARTY OUTSIDE OF ARE, AGREED TO DIRECT ALL FOREIGN  
EXCHANGE DUE THE OPERATOR OF THE HOTEL (MARRIOTT) TO  
THE TRUST ACCOUNT. SECONDLY, EXIM'S LOAN IS RELATIVELY  
SMALL (UNDER DOLS. 4 MILLION) AND REPAYMENT IS IN FIVE  
YEARS.

PIA HAS BEEN AN EXIMBANK BORROWER SINCE 1970 WITH A GOOD

REPAYMENT RECORD. IN THE EARLY 1970'S WHEN PAKISTAN RESCHEDULED ITS DEBTS, EXIM LOANS TO THE AIRLINE WERE NOT INCLUDED AND PAYMENTS ON THESE DEBTS HAVE REMAINED CURRENT. IN JANUARY 1978, PIA REQUESTED A LOAN FOR A 747-100B. BASED ON PIA'S STRONG RECENT EARNINGS PERFORMANCE AND POTENTIAL FOR INCREASED REVENUES WITH ADDITIONAL CAPACITY, EXIM WAS FAVORABLY CONSIDERING THE REQUEST. AT THE SAME TIME, WE LEARNED THAT PAKISTAN

MIGHT SEEK ADDITIONAL DEBT RELIEF. BECAUSE OF THIS, EXIM DETERMINED THAT ADDITIONAL SECURITY WOULD BE NEEDED FOR THE 747 LOAN AND THE TRUST ACCOUNT ARRANGEMENT WAS OFFERED. WHILE WE ARE NOT TOTALLY COMFORTABLE WITH THIS ADDITIONAL SECURITY WE AGREED TO ACCEPT IT BECAUSE OF THE STRONG PERFORMANCE OF PIA AND EXCELLENT REPAYMENT RECORD WITH EIB. IF THE 747 LOAN IS FINALIZED, OUR TOTAL EXPOSURE IN PAKISTAN AS OF 8/31/78, WOULD BE DOLS. 87 MILLION, DOLS. 67 MILLION OF WHICH WOULD BE WITH PIA.

2. BY COMPARISON, EXIMBANK'S EXPERIENCE WITH REPAYMENT OF EGYPTIAN PUBLIC DEBT HAS BEEN POOR. WE HAVE NEVER REPEAT NEVER RECEIVED A PAYMENT ON THE DUE DATE ON THE RESCHEDULED DEBT AND APPROXIMATELY DOLS. 60 THOUSAND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 226281

IN PENALTY INTEREST IS OVERDUE. THE FINAL INSTALLMENT ON THE RESCHEDULED DEBT IS DUE 10/2/78. ALSO BY COMPARISON EGYPTAIR'S REQUEST WOULD INCREASE OUR EXPOSURE OF DOLS. 29 MILLION IN EGYPT BY AT LEAST DOLS. 100 MILLION. FOR THESE REASONS WE DO NOT SEE OUR ARRANGEMENT WITH PIA AS A PRECEDENT FOR PROPOSED EGYPTAIR TRANSACTION.

3. IN LIGHT OF THE ABOVE, IT IS OUR BEST JUDGEMENT THAT WE CANNOT FAVORABLY RECOMMEND A TRUST ACCOUNT AS SECURITY FOR A LOAN TO EGYPTAIR. AS PREVIOUSLY STATED IN ORDER TO REACH A FINDING OF REASONABLE ASSURANCE OF REPAYMENT, WHICH WE NEED TO RECOMMEND CREDIT APPROVAL, WE WOULD REQUIRE AN ACCEPTABLE GUARANTOR WITH ASSETS OUTSIDE OF EGYPT.

4. THIS MESSAGE REPLACES ALL OF REF B WHICH SHOULD BE DISREGARDED. CHRISTOPHER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ACCOUNTS, TRUST FUNDS, FOREIGN POLICY POSITION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 sep 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE226281  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** A M EMMET:CR  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780364-0587  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780996/aaaadbpbw.tel  
**Line Count:** 110  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 1665fa56-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN XMB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1526765  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** VIEWS ON ESCROW/TRUST FUND ACCOUNT  
**TAGS:** EFIN, EG  
**To:** CAIRO  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/1665fa56-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014